

# E-Reverse Auction Guidelines

## Purpose and References

1. Purpose of these Guidelines These Guidelines are intended to educate and assist Novartis Group employees and Third Parties with regard to e-Reverse Auction processes, awarding criteria, and confidentiality requirements, and to the binding nature of bids made at any e-Reverse Auction.

The aim of e-Reverse Auctions is to enable negotiations to be engaged in using a technology that allows a faster pricing process, a more objective way of selecting Third Parties, and greater transparency of market prices. Novartis and Third Parties are expected to follow the standards set forth in these Guidelines, and to deal fairly with each other in e-Reverse Auctions.

2. Scope of e-Reverse Auctions Successful deployment of e-Reverse Auctions is not limited to high-volume, generic, commodity-type goods and services. E-Reverse Auctions can be successfully used in complex spend categories with highly engineered specifications and with direct impact on business operations. E-Reverse Auctions have proved to be a successful enabler in the negotiation of direct and indirect goods and services. It is therefore the aim of Novartis to assess the suitability of e-Reverse Auctions as a support mechanism in all final commercial negotiations and to conduct e-Reverse Auctions whenever feasible.

3. Reference to e-Reverse Auction Guidance Notes The Guidelines are accompanied by the e- Sourcing Implementation Guidance Notes. These are intended exclusively for internal use and provide support for the assessment of e-Reverse Auction suitability, the selection of evaluation criteria, the preparation and execution of e-Reverse Auctions, and for post-event e-Reverse Auction management.

## Responsibilities

4. Divisions, Business Units The Heads of Sourcing/Purchasing in the Divisions and Business Units are responsible for proper implementation of the e-Reverse Auction Guidelines within their Division and BUs.

## Principles & Standards

5. Our principles Novartis aims to maintain the highest possible level of professionalism in the use of e-Reverse Auction technology in order to streamline the traditional negotiation process and to create an environment of fairness and objectivity for Third Parties. Our Company will not use e-Reverse Auctions without the intention of awarding the auctioned business to the Third Party that has met the business requirements communicated beforehand.

Novartis will provide equal opportunity to all pre-qualified Third Parties to bid for a contract regardless of whether the Third Party has an existing contract with Novartis or not. There will be no manipulation of any kind in favor of a particular Third Party and the e-Reverse Auction process must be conducted throughout to the highest standard of ethics.

6. Confidentiality and anonymity Novartis must maintain security and confidentiality in the handling of data. Anonymity will be assured with regard to the bidding information of Third Parties during the e-Reverse Auctions. All information passed between the Third Party, Novartis and any other party will remain confidential and be used exclusively for the bidding event (e-Reverse Auction) for which it has been provided.

7. Transparency and fairness	<p>Only Third Parties who have been pre-qualified as meeting the required standards set forth by Novartis for bidding, including the criterion of available capacity for the product at the necessary order volume and/or service quality, may participate in an e-Reverse Auction.</p> <p>An event statement outlining the process of the e-Reverse Auction as well as the Third Parties' role in the event will be sent to the invited participants with adequate time to understand and address any concerns. The same information will be issued to all bidding Third Parties at the same time. During the e-Reverse Auction event, the Third Parties will be able to see either the ranking of their bid, or the relative value difference between the bidders.</p> <p>No price negotiations with Third Parties who are not awarded the auctioned business will take place on an individual basis after the e-auction event has been concluded, unless the commercial negotiation with the Third Party who has been awarded the business cannot be successfully concluded.</p> <p>Novartis will not disqualify a bidding Third Party during the e-Reverse Auction event for reasons that have not been clearly specified to the bidding Third Party.</p>
8. Rule setting	<p>These Guidelines will be communicated to the invited Third Parties prior to the e-Reverse Auction event. All parties will be expected to abide by these requirements.</p>
9. Selection & acceptance Criteria	<p>Selection criteria will be set by Novartis clearly specifying whether either the lowest bid or a combination of various elements will determine the winner of the e-Reverse Auction. All the items and criteria beyond lowest price which will play a role in the overall decision-making must be determined beforehand by Novartis and communicated to Third Parties in advance. The selection criteria will remain unchanged throughout the process as will the weighting attributed to them by Novartis.</p> <p>In addition, the Third Parties must be informed in advance that, by participating in the e-Reverse Auction event, they will be deemed to have accepted these criteria, and that if the Third Party's bid is accepted by Novartis, then the Third Party will be legally bound to provide the applicable goods or services to Novartis under the terms of the accepted bid.</p> <p>Compliance with the e-Reverse Auction Guideline is part of the prerequisites which shall be assessed before accepting the participation of a Third Party in an event. This shall constitute an element of high importance together with other evaluation criteria such as price or quality.</p>
10. Technology as an enabler	<p>While we recognize that our Third Parties throughout the world operate in different cultural environments and at different levels of familiarity with technology, it is the intention of Novartis to ensure through good training that all Third Parties become equally capable of understanding the e-Reverse Auction technology and that all parties feel equally comfortable using it.</p> <p>The technology infrastructure used by Novartis will allow real-time visibility for all bidding Third Parties as to their ranking position or the relative value difference based on their on-line bids and the exact duration of the event including all extensions. It shall also provide all participants in the e-Reverse Auction with equal opportunity to submit offers.</p>

11. Awarding of contract	<p>The winner of the entire selection process ( best total value proposition ) will be made known to all Third Parties involved. No withdrawal by Novartis or the Third Party can be accepted once this stage is reached, unless the opposite party violates any of the rules to which it had agreed beforehand or if no agreement can be reached on the language or legal terms of the contract.</p> <p>The Third Parties that have not been awarded a contract will be thanked after the decision has been made. It is recommended that these Third Parties be informed about future opportunities and about what they would need to improve in order to win the next event.</p>
12. Our Expectations from Third Parties	<p>We expect bidding Third Parties to fully understand the e-Reverse Auction process and rules before agreeing to participate. All uncertainties must be addressed by the bidding Third Party before an e-Reverse Auction is conducted. It remains the responsibility of the bidding Third Party to make sure that he/she will be able to make full use of the software for his/her intended purpose and to address any technical concerns before the event.</p>
13. Confidentiality of information	<p>Confidentiality in handling information is also expected from Third Parties. No data related to the e-Reverse Auction process and given by Novartis either during or prior to the event shall be disclosed to any other party. Access to the web-based technology platform is limited to those Third Parties invited to the event by Novartis. Third Parties may not transfer their user IDs and passwords to any party outside their company. Users should have individual user IDs and passwords to assure adequate allocation of access privileges.</p> <p>Press releases in any way related to the e-Reverse Auction process that Novartis has conducted or any reference to the said process may not be issued without the previous consent of Novartis.</p>
14. The Binding nature of offers	<p>Both Novartis and bidding Third Parties must understand that e-Reverse Auctions are a process, that the Third Parties are bound to comply with any offers it submits on-line, and that, once accepted by Novartis, both parties are bound to business in accordance with the accepted bid, subject to the negotiation of a contract containing terms in addition to those submitted on-line. It is expected that the bidder from the Third Party has the authority to give a binding offer on behalf of his/her company.</p> <p>Novartis will not tolerate attempts to negotiate prices after the e-Reverse Auction. We advise Third Parties not to allow sound business judgment to be clouded by the emotion that can arise in such a competitive environment, thus compromising their ability to honor the offers made in a contract. If such circumstances were to arise, Novartis could take legal steps to force the Third Party to comply with its bid, or could disqualify the Third Party and select the second-best overall offer instead.</p>
15. Compliance and termination	<p>The responsibility of any Third Party to comply with applicable regulations, standards, and laws remains with the Third Party. Novartis shall evaluate Third Parties in respect of their commitment to the e-Reverse Auction Guidelines and of their efforts to comply with them. In the event of evident and persistent violations of Novartis' principles in this context, the relationship with the Third Party in question shall be terminated.</p>